



Bryce Yokomizo
Director

July 18, 2002

TO: Each Supervisor

FROM: Bryce Yokomizo, Director

SUBJECT: **STATE AND FEDERAL CalWORKs FUNDING - LEGISLATIVE EFFORTS AND DEVELOPMENTS DURING JUNE 2002**

As instructed by your Board on January 15, 2002, this is to provide you with a report on legislative efforts and/or developments regarding State and Federal funding for the CalWORKs program for the month of June 2002.

State Funding

The information below is based on the budget (AB 425) and related trailer bills adopted by the Senate on June 29, 2002. The Assembly has not yet approved the Budget. Upon approval of the Budget by the Assembly, individual Budget items are still subject to line item veto by the Governor.

Employment Services

AB 425 provides \$128 million in unspent Performance Incentives to fund CalWORKs Employment Services. This funding will primarily be used to bring under-equity counties, such as Los Angeles, closer to equity. Under AB 425, the State will owe these \$128 million in Performance Incentives to counties at some point in future. By contrast, in the May Revision, the Governor proposed not to repay counties these \$128 million in Performance Incentives.

County CalWORKs Administration

AB 425 restores \$21 million of the \$88 million statewide reduction proposed in the May Revision for CalWORKs Administration.

Performance Incentives

AB 425 appropriates to counties the higher of \$302.8 million or the actual amount of unspent Performance Incentives which will remain available after the borrowing of \$169 million for other CalWORKs purposes and the use of \$128 million for employment services.

County Program Grant & 5% Holdback

AB 425 rejects the Governor's proposal of a County Program Grant and the 5% holdback by the State of total program grant funds.

Mental Health & Substance Abuse

AB 425 increases mental health by \$17.4 million and reduces substance abuse by \$6.7 million as proposed in the May Revise.

CalWORKs Community College Services

The Governor's May Revise proposes to restore \$20 million of the \$50 million reduction in the Governor's Proposed Budget in January for Community Colleges. In addition, the Administration expects the California Community Colleges (CCC) to provide a \$20 million match from their increased discretionary funds to continue the provision of services under this program. AB 425 adopted the Governor's proposal to restore \$20 million, subject to a dollar-for-dollar match from the Community Colleges, and added \$9 million not subject to a match requirement as a one-time shift from Proposition 98 funds.

CalWORKs Adult Education Services

AB 425 restores \$23 million of the Governor's proposed cut of \$36 million for CalWORKs Services by adult schools and regional occupational centers and programs.

CalWORKs Child Care

AB 425 adopts the Governor's May Revise proposal to fully fund CalWORKs Child Care Stages One, Two, and Three.

Federal Funding

On June 26, 2002, the Senate Finance Committee, which has primary jurisdiction in the Senate over TANF reauthorization, passed by a 13 to 8 vote, an outline of The Work, Opportunity, and Responsibility for Kids (WORK) Act of 2002, which Senator Baucus (MT), Chair of the Finance Committee proposed as a substitute for H.R. 4737. It is not yet in bill form. Votes in support of this Senate proposal included all Committee Democrats (with the exception of Senator Daschle, who indicated the proposal did not include enough funding for child care) and Republican Senators Hatch (UT), Snowe (ME), and Murkowski (AL).

Like H.R. 4737, the Senate's proposal would maintain the same funding level of the current annual TANF block grant with no adjustments for inflation as well as the current State Maintenance of Effort (MOE) requirement with the notable exception that States would be allowed to count as qualifying MOE expenditures the amounts of child support arrearages passed through to former TANF families. Diverging from the House bill, the Senate proposal includes an additional \$5.5 billion in mandatory child care funding through the Child Care Development Block Grant (CCDBG) over five years, the first \$3 billion of which (over the first three years) would not be subject to the State matching requirement specified in current federal law. The House bill only included \$1 billion in mandatory child care funding over five years and maintained the full State matching requirement.

Identical to H.R. 4737, the Senate proposal would increase State work participation rates from 50% to 70% over 4 years and would also increase from 20 hours to 24 hours the share of time that participants must spend in "priority" work activities (the House bill refers to these activities as "direct work"). But the Senate proposal diverged sharply from the House bill by proposing to do the following:

- Replace the caseload reduction credit with an employment credit designed to reward States for welfare leavers entering full-time employment, welfare leavers entering higher wage employment, the portion of current recipients in part-time employment, and families successfully diverted from on-going cash assistance and who become employed;
- Maintain the general requirement of 30 hours per week of participation in direct work or work related activities for most adults;
- Maintain that participants with a child under 6 years of age would meet their work requirement by engaging in any work activity for 20 hours per week;
- Expand the current definition of allowable "work activities" included in federal law by allowing substance abuse treatment, mental health treatment, vocational rehabilitation services, adult basic education, and English proficiency classes to count for a maximum of three months out of 24 months, with an additional three months allowed when combined with work or job-readiness activities; and
- Increase from 12 to 24 months the period for which vocational education would count as "work", including community college programs which result in a credential related to employment or a job skill.

In addition, like the House bill, the Senate proposal would require new families with a "work eligible" individual to have a self-sufficiency plan within 60-days of enrollment for cash assistance. Unlike the House bill, the Senate proposal is much more prescriptive with regard to how States should carry out family needs assessments as well as what each family self-sufficiency plan must include.

At this current time, the Majority Leader Tom Daschle has indicated that he will not bring TANF reauthorization legislation to the floor until September.

As instructed by your Board on January 15, 2002, I will provide you with an additional update next month. Please let me know if you have any questions or need additional information.

BY:ml

c: Chief Administrative Officer
County Counsel
Auditor-Controller
Executive Officer, Board of Supervisors